

**THE CHANCERY COURT FOR LEWIS COUNTY
AT HOHENWALD, TENNESSEE**

IN RE:)	
)	
SENTINEL TRUST COMPANY)	NO. 4781
)	
)	

**SENTINEL TRUST COMPANY, IN LIQUIDATION'S MOTION TO APPROVE
SETTLEMENT OF CLAIM WITH CHAMBERS HEALTH CARE SOCIETY, INC.
CONCERNING DADE CITY SERIES 1998 BOND ISSUE**

I. INTRODUCTION

Sentinel Trust Company, in Liquidation, seeks Court approval of a settlement of a claim against Chambers Health Care Society, Inc. ("Chambers"), said claim arising from a bond issue known as the Dade City Series 1998/Pasco Nursing Home Bond Issue ("Dade City Series 1998 Bond Issue").

II. HISTORY OF SENTINEL TRUST CLAIM

Chambers was the borrower obligated to pay principal, interest and fees on the Dade City Series 1998 Bond Issue. Sentinel Trust was the indentured trustee on that bond issue. In or around December 2002, at a time after the nursing home had closed and the residents moved to other facilities, Chambers failed to make payment due or to otherwise fund the scheduled bondholders payments. Thereafter, Sentinel Trust undertook efforts to protect the collateral (e.g., the building) and proceeded to foreclose on the property. The foreclosure process yielded very little monies for distribution to bondholders. Indeed, there was, from Sentinel Trust's perspective, a deficiency of approximately \$1.7 million as between what was owed by Chambers and what was yielded from the foreclosure sale.

Sentinel Trust proceeded in Florida state court to pursue the deficiency amount against Chambers. Those efforts resulted in the obtaining of a partial summary judgment finding Chambers liable for the deficiency. Chambers contested the amount of the deficiency, however, and the Florida state court Order a) reserved determination as to the exact amount of the deficiency for later hearing and proof and b) directed the parties to mediation regarding the amount of the deficiency.

It was at this general point in time that Sentinel Trust was taken possession of by the Commissioner of the Tennessee Department of Financial Institutions and the Receiver appointed.

Mediation with Chambers was conducted by representatives of the Receiver in Tampa, Florida on October 20, 2004. It did not result in the settlement of the dispute. However, subsequent discussions have resulted in the settlement of this matter, subject to the approval of this Court.

III. ELEMENTS OF SETTLEMENT

Subject to this Court's approval, Chambers and Sentinel Trust have agreed to the following:

- 1) initial payment of \$250,000 within five (5) days of the Order of this Court approving settlement becoming final with no appeal;
- 2) payment of \$360,000 (plus 6% interest) to be paid in twelve (12) monthly payments of \$15,000 (plus 6% interest), with the first payment due one (1) calendar month after the \$250,000 payment referenced in item 1) above, and the remaining \$180,000 (plus 6% interest) being paid one (1) calendar month after the last of the above-referenced twelve payments;
- 3) the payments referenced in 2) above will be subject to a promissory note by Chambers in favor of Sentinel Trust and will be guaranteed by Wellington Health Care Services, L.L.C. ("Wellington");
- 4) Chambers (and whomever might have interest to the claim) will assign to the benefit of the Dade City Series 1998 bondholders all right to recover from the Sentinel Trust estate on a claim against the shortfall in the Pooled Trust Account

arising from the Newton County, Georgia bond issue (amount of claim appearing to be approximately \$350,000);

- 5) appropriate and acceptable releases and compromise/settlement agreement executed by the parties; and
- 6) acceptable evidence provided by Wellington of its financial soundness.

IV. TIMING OF MOTION SEEKING THAT SETTLEMENT BE APPROVED

At present, the Receiver and Chambers are working on a compromise and settlement and release agreement which will be presented either prior to or at the November 15, 2004 court hearing on this Motion. Also, at present, the Receiver is reviewing financial information concerning both Chambers and Wellington to determine whether the over-time payment components of the settlement are reasonably secure. However, because the timing of the payments called for in the settlement are measured from the date of finality of a Court order approving the settlement, the Receiver desires to present this Motion now so that it can be set for hearing on the Court's November 15, 2004 motion docket. It is anticipated that the drafting of a settlement and release agreement and the reviewing of the above-referenced financial information will be completed well before the November 15, 2004 hearing date and announcement of such at that time is further anticipated.

V. DISCUSSION AND RECOMMENDATION OF RECEIVER REGARDING APPROVAL OF SETTLEMENT

All of the points of settlement, save one, are straightforward (i.e., \$250,000 upfront and \$360,000 over time, backed by a promissory note and guarantee). The one settlement point that is out of the ordinary is the assignment by Chambers to Sentinel Trust, on behalf of the Dade City Series 1998 bondholders, of Chambers' claim to recover against the Pooled Trust Account shortfall arising from the Newton County, Georgia bond issue.

As the Court will recall, Chambers was the borrower involved in the Newton County, Georgia bond issue which, by previous order of Court, has been paid off through an early redemption. In conjunction with that early redemption, the Court, upon motion of Chambers, allowed the waiver of a ninety (90) day waiting period otherwise required in the bond documents for redemptions. The early redemption of the Newton County, Georgia bond issue resulted in a 100¢/\$1.00 payment to the Newton County, Georgia bondholders. At the time of the early redemption, Chambers had a positive account balance of approximately \$350,000, attributable to the Newton County bond issue, in the Sentinel Trust Pooled Trust Account -- the account which is suffering from a multi-million dollar shortfall and to which numerous entities, including Chambers, have claims. Chambers still retains the claim as against the Sentinel Trust estate that could be recovered through the proof of claim procedure to be instituted in this receivership.

As part of the settlement between Chambers and Sentinel Trust, Chambers offers to assign the recovery upon the claim it holds in the Sentinel Trust receivership arising from the Newton County, Georgia matter to the benefit of the Dade City Series 1998 bondholders. Chambers warrants full title to that claim and full ability to assign recovery upon that claim to the benefit of the Dade City Series 1998 bondholders.

The Receiver recommends approval of the settlement.¹ Based upon efforts at the mediation and afterwards, it is not believed that Chambers can contribute more than \$250,000 upfront. It is not anticipated that the payments over the next year would necessitate this receivership remaining open any longer than it would be otherwise. If the entirety of the assigned claim is realized in the proof of claim process, the total value of the settlement would be

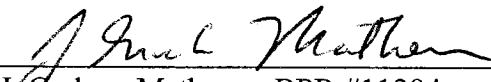
¹ As noted above, this assumes agreement as to the language of the compromise and release agreement and a favorable decision as to the financial soundness of the Wellington guarantee, both of which are anticipated.

approximately \$960,000, which would result in payment of approximately 53¢/\$1.00 to the Dade City Series 1998 bondholders.² Settlement now avoids further costs of discovery related to, and a hearing on, the amount of the deficiency judgment and the risk that Chambers might be successful in showing the deficiency it is responsible for to be less than what Sentinel Trust claims. Settlement under the proposed terms provides a guarantor, Wellington, whereas pursuit of a judgment arising from the deficiency action would likely be only as against Chambers, not-for-profit corporation. For all these reasons, the Receiver recommends approval of the settlement as described herein.

VI. CONCLUSION

For the reasons set forth herein the Receiver urges approval of the settlement of its claim against Chambers concerning the Dade City Series 1998 Bond Issue along the lines set forth herein.

Respectfully submitted,



J. Graham Matherne, BPR #11294
Wyatt, Tarrant & Combs, LLP
2525 West End Avenue, Suite 1500
Nashville, TN 37203-1423
(615) 244-0020

*Counsel for Jeanne Barnes Bryant and
Receivership Management, Inc., Receiver
of Sentinel Trust Company, in Liquidation*

² The actual amount recovered on this assigned claim would have to await final disposition of the proof of claim process.

CERTIFICATE OF SERVICE

This is to certify that on November 8th, 2004 a copy of the foregoing Motion and has been sent by First Class U.S. Mail, postage paid, to:

Janet M. Kleinfelter
Senior Counsel
Office of the Attorney General
Financial Division
425 5th Avenue North
P.O. Box 20207
Nashville, TN 37243

Carrol Kilgore
Branstetter, Kilgore, Stranch & Jennings
227 Second Avenue North
4th Floor
Nashville, TN 37201

Donald Schwendimann
306 W. Main Street
P.O. Box 366
Hohenwald, TN 38462

Larry Stewart
Stokes, Bartholomew, Evans & Petree
424 Church Street, Suite 2800
Nashville, TN 37219

David D. Peluso
106 East Main Street
Hohenwald, TN 38462

James S. Hereford, Jr.
310 W. College Street
P.O. Box 802
Fayetteville, TN 37334-0802

William B. Hubbard
Weed, Hubbard, Berry & Doughty
SunTrust Bank Bldg., Suite 1420
201 Fourth Avenue North
Nashville, TN 37219

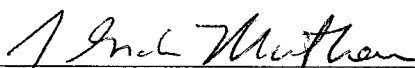
Diana M. Thimmig
Roetzel & Andress
1375 East Ninth Street
One Cleveland Center, Ninth Floor
Cleveland, OH 44114

James S. Chase
John A. Decker
Hunton & Williams LLP
900 South Gay Street, Suite 2000
P.O. Box 951
Knoxville, TN 37901

John C. Herman
Duane Morris LLP
1180 West Peachtree Street, Suite 700
Atlanta, GA 30309

Phillip M. Rees
General Counsel
Wellington Health Care Services, L.L.C.
700 Old Roswell Lakes Parkway
Suite 300
Roswell, GA 30076

John J. Kovak
Barr, Marman, Tonelli, Slother & Sleet
201 E. Kennedy Blvd., Suite 1700
Tampa, FL 33672-0669



J. Graham Matherne